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ZZZ Dec 67 IN

REF:

1. DR. WANG MET WITH MINISTER Y.S. SUN AGAIN ON EVENING 17 DEC. AND BRIEFED LATTER^O INTENDED MAU/WANG REQUEST FOR CLARIFICATION OF GRC STAND ON 23 MAY PROPOSAL. ALTHOUGH SUN ADMITTED TO HAVING STUDIED CATCL FILES " FOR MANY HOURS," HE SAID HE WAS NOT QUALIFIED TO GIVE AN OPINION AT THIS JUNCTURE. HE DID NOTE THAT TAIWAN BANKING CIRCLES " WERE WORRIED ABOUT CAL," AND SAID THAT "CCK WANTS CAL TO SUCCEED," ADDING TH^AT HE FELT IT WAS UNFORTUNATE THAT CCK HAD NOT BEEN PRESENT AT THE 24 JUNE MEETING WITH PRESIDENT WHEN CATCL DISCUSSED. SUN THEN SUGGESTED THAT DR. WANG MEET WITH COL. LAI.

2. 18 DEC. DR. WANG DID MEET WITH LAI WHO ADVISED HIM THAT THERE WAS NO GRC TIMETABLE FOR PHASEOUT OF PRESENT CATCL, BUT ADDED THAT PRESENT COMPANY COULD NOT EXPECT EXPAND EXISTING ROUTE STRUCTURE.. LAI REITERATED THAT STUMP AIDE MEMOIRE WAS "MAJOR TACTICAL ERROR," AND THAT UP TO THAT MOENT, PRESENT CATCL COULD HAVE EXPANDED ON THIER OWN, SOLD THE COMPANY" WITHOUT ANY PROBLEMS AT ALL." LAI THEN REPORTEDLY SAID TH^AT IF, IN FACT, THE MOC 5 DEC

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LETTER WERE FOUND TO APPLY TO THE EARLIER PROPSAL AS⁰WELL, HE PERSONALLY WOULD ADVISE THAT PRESENT CATCL CONTINUE FOR ONE MORE YEAR, " BECAUSE YOU CAN'T^TELL^{HA} WHAT MIGHT HAPPEN." THIS CAN BE INTERPRETED AS^SUGGESTING^A POSIBILITY^S OF CHANGE OF HEART ON CCK'S PART, PERHAPS BROUGHT ABOUT BY CAL'S TOO RAPID GROWTH, THOUGH IT IS DOUBTFUL THAT LAI WAS^F REFLECTING ANY OFFICIAL ATTITUDE^A WITHIN MOC. LAI DID STATE THAT HE WAS SURE CAL WAS "AFRAID OF MAU/WANG GROUP- MORE SO THAN PRESENT OWNERS, BECAUSE THEY/ (SIC) REPRESENT FINANCIAL STRENGTH THAT CAL HAS DIFFICULTY COMMANDING".

3. 19 DEC. DR. WANG MET IN RAPID SUCCESSION WITH MINISTER K. T. LI, EXEC. YUAN SECRETARY Y.S. CHANG AND GEN. CHANG CHUN, PRESIDENTIAL ADVISOR. EACH INDIVIDUALLY SUGGESTED TO HIM, REPORTEDLY, THAT HE AND MAU SHOULD STAND AND FIGHT FOR THE 23 MAY PROPOSAL. MINISTER LI NOTED THAT WHILE IT MIGHT NOT HAVE BEEN DIFFICULT FOR 19 AUG "APPROVAL IN PRINCIPLE" TO BE SET ASIDE, WHEN THAT WAS COMBINED WITH 9 SEPT MOEA/ CIECD SPECIFIC GUIDELINES PAPER, IT BECAME EXCEEDINGLY DIFFICULT FOR GOVERNMENT TO SHRUG IT OFF. CHANG CHUN REPORTEDLY SAID THAT THE PRESIDENT HAD NOT CHANGED HIS BASIC VIEW ON CATCL - "OUT WITH THE OLD, ON WITH THE NEW," AND THAT HE THOUGHT THE MATTER SHOULD BE PUT TO THE TEST.

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4. AS THINGS STAND NOW, ON EVE [] DEPARTURE FOR HQS,
FOLL IS STATUS THIS WHOLE SITUATION:

A. DR. WANG HAS REDRAFTED CLARIFICATION PAPER, TO STRESS
"REASSURANCE THAT 5 DEC DID NOT COVER 23 MAY" SINCE TWO APPROVALS
NOT SPECIFICALLY REVOKED. PAPER ALSO NOTES IMPORTANCE OF PROMPT
SETTLEMENT THIS QUESTION, NOT ONLY BECAUSE OF CONCERN OF PRESENT
OWNERS OVER WORSENEE ECONOMICS, BUT " IN VIEW OF KEEN INTEREST^E OF
OVERSEAS CHINESE INVESTOR-PROSPECTS WHO HAVE BEEN KEPT FULLY IN-
FORMED OF PROR^I GRC APPROVALS FOR CATCL SALE AND WHOSE LONG-TERM
ATTITUDE TOWARD^{OT} ^NHER INVESTMENTS IN CHINA COULD BE ADVERSELY
AFFECTED BY FAILURE OF GOVERNMENT TO SETTLE THIS QUESTION WITH
EQUITY." NO NEW INPUTS HAVE BEEN ADDED, OTHER THAN INTRODUCTION
OF NAME CHANGE REFERRED TO EARLIER TRAFFIC- " OVERSEAS CHINESE
AIRWAYS LTD." [] WILL HAND CARRY THIS PAPER TO MAU FOR
SIGNATURE, SINCE DR. WANG HAS ALREADY SIGNED HERE.

B. BOTH AMB AND ECONOMICS COUNSELOR BROWN HAVE BEEN
POSTED ON LATEST DEVELOPMENTS, BY [] AND [] RESPECTIVE-
LY. AS MAY HAVE BEEN NOTED HQS, EMBASSY HERE HAS BEEN FACTUALLY RE-
PORTING CAL/CATCL DEVELOPMENTS IN WEEKLY REPORT TO DEPARTMENT AND
OTHER REGIONAL EMBASSIES.

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C. DEFINITIVE CV880 SALES CONTRACT WITH CPA HAS BEEN SIGNED, WITH PROSPECTIVE DELIVERY NEXT MONTH. LOW KEY PREPARATIONS TAINAN FOR MAKING B-727C READY CONTINUE, AS DOES FLT CREW TRNG. IF GRC ANSWER COMES BY TIME ACFT INPUT DATE (WHICH DOES NOT SEEM LIKELY IN VIEW TIME NEEDED CYCLE CLARIFICATION REQUEST WITH MAU AND MOC) AND IS WHOLLY NEGATIVE, [] WOULD RECOMMEND TERMINATION BOTH INTERNATIONAL AND DOMESTIC PASSENGER FLIGHTS WITHIN MINIMUM TIME MOC WOULD AGREE TO. FUTURE OF ANY CARGO SERVICE [] FEELS SHOULD BE DISCUSSED HQS AFTER HIS RETURN IN LIGHT OF EQUITIES INVOLVING AACL/AAM. STRONGLY URGE THAT EVEN IF MOC UNABLE RESPOND BY END DEC. THAT [] AND DR. WANG MEET HQS AFTER 1 JAN FOR FULL SCALE DISCUSSION OF ENTIRE SPECTRUM OF ALTERNATIVES, WHICH BETTER HANDLED IN PERSON THAN BY CABLE AT THIS JUNCTURE.

D. [] DEPARTING TAIPEI 23 DEC FOR HONOLULU AND HQS [] WILL MAINTAIN DAY-TO-DAY CONTACT WITH PROBLEM THRU [] WITH MESSRS. GREEN AND BEVANS, AND BY [] WITH [] ON POLICY MATTERS. DR. WANG DEPARTING FOR CONUS VIA EUROPE 23 DEC., AND HAS STATED AVAILABILITY FOR WASHINGTON MEETING AFTER 29 DEC. [] ETA HQS 25 DEC. IF RESERVATIONS HOLD AS REQUESTED.

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